



State of Wisconsin
2013 - 2014 LEGISLATURE



LRBb0346/P2
JK:kjf&jld:jf

B
RWR

LFB:.....Shanovich (RR) – Omnibus tax proposal: allowing members of
pass-through entities to claim research credits

**FOR 2013-2015 BUDGET -- NOT READY FOR INTRODUCTION
ASSEMBLY AMENDMENT ,
TO ASSEMBLY BILL 40**

in 67-13

- 1 At the locations indicated, amend the bill as follows:
- 2 **1.** Page 643, line 3: after that line insert:
- 3 **“SECTION 1298p.** 71.05 (6) (a) 15. of the statutes is amended to read:
- 4 71.05 (6) (a) 15. Except as provided under s. 71.07 (3p) (c) 5., the amount of the
- 5 credits computed under s. 71.07 (2dd), (2de), (2di), (2dj), (2dL), (2dm), (2dr), (2ds),
- 6 (2dx), (2dy), (3g), (3h), (3n), (3p), (3q), (3r), (3rm), (3rn), (3s), (3t), (3w), (4k), (4n), (5e),
- 7 (5f), (5h), (5i), (5j), (5k), (5r), (5rm), (6n), and (8r) and not passed through by a
- 8 partnership, limited liability company, or tax-option corporation that has added that
- 9 amount to the partnership’s, company’s, or tax-option corporation’s income under s.
- 10 71.21 (4) or 71.34 (1k) (g).”.
- 11 **2.** Page 658, line 4: after that line insert:

1 “**SECTION 1343b.** 71.07 (4k) of the statutes is created to read:

2 **71.07 (4k) RESEARCH CREDIT.** (a) *Definitions.* In this subsection:

3 1. “Frame” includes:

4 a. Every part of a motorcycle, except the tires.

5 b. In the case of a truck, the control system and the fuel and drive train,
6 excluding any comfort features located in the cab or the tires.

7 c. In the case of a generator, the control modules, fuel train, fuel scrubbing
8 process, fuel mixers, generator, heat exchangers, exhaust train, and similar
9 components.

10 2. “Internal combustion engine” includes substitute products such as fuel cell,
11 electric, and hybrid drives.

12 3. “Vehicle” means any vehicle or frame, including parts, accessories, and
13 component technologies, in which or on which an engine is mounted for use in mobile
14 or stationary applications. “Vehicle” includes any truck, tractor, motorcycle,
15 snowmobile, all-terrain vehicle, boat, personal watercraft, generator, construction
16 equipment, lawn and garden maintenance equipment, automobile, van, sports
17 utility vehicle, motor home, bus, or aircraft.

18 (b) *Credit.* 1. Subject to the limitations provided in this subsection, and except
19 as provided in subds. 2. and 3., for taxable years beginning after December 31, 2012,
20 a partner of a partnership, shareholder of a tax-option corporation, or member of a
21 limited liability company may claim a credit against the tax imposed under s. 71.02,
22 as allocated under par. (d), an amount equal to 5 percent of the amount obtained by
23 subtracting from the partnership’s, tax-option corporation’s, or limited liability
24 company’s qualified research expenses, as defined in section 41 of the Internal
25 Revenue Code, except that “qualified research expenses” includes only expenses

1 incurred by the partnership, tax–option corporation, or the limited liability company,
2 incurred for research conducted in this state for the taxable year, except that a
3 taxpayer may elect the alternative computation under section 41 (c) (4) of the
4 Internal Revenue Code and that election applies until the department permits its
5 revocation, except as provided in par. (c), and except that “qualified research
6 expenses” does not include compensation used in computing the credit under subs.
7 (2dj) and (2dx), the entity’s base amount, as defined in section 41 (c) of the Internal
8 Revenue Code, except that gross receipts used in calculating the base amount means
9 gross receipts from sales attributable to Wisconsin under ss. 71.04 (7) (b) 1. and 2.,
10 (df), (dh), (dj), and (dk). Section 41 (h) of the Internal Revenue Code does not apply
11 to the credit under this subdivision.

12 2. For taxable years beginning after December 31, 2012, a partner of a
13 partnership, shareholder of a tax–option corporation, or member of a limited liability
14 company may claim a credit against the tax imposed under s. 71.02, as allocated
15 under par. (d), an amount equal to 10 percent of the amount obtained by subtracting
16 from the partnership’s, tax–option corporation’s, or limited liability company’s
17 qualified research expenses, as defined in section 41 of the Internal Revenue Code,
18 except that “qualified research expenses” includes only expenses incurred by the
19 partnership, tax–option corporation, or limited liability company for research
20 related to designing internal combustion engines for vehicles, including expenses
21 related to designing vehicles that are powered by such engines and improving
22 production processes for such engines and vehicles, incurred for research conducted
23 in this state for the taxable year, except that a taxpayer may elect the alternative
24 computation under section 41 (c) (4) of the Internal Revenue Code and that election
25 applies until the department permits its revocation, except as provided in par. (c),

1 and except that “qualified research expenses” does not include compensation used
2 in computing the credit under subs. (2dj) and (2dx), the entity’s base amount, as
3 defined in section 41 (c) of the Internal Revenue Code, except that gross receipts used
4 in calculating the base amount means gross receipts from sales attributable to
5 Wisconsin under ss. 71.04 (7) (b) 1. and 2., (df), (dh), (dj), and (dk). Section 41 (h) of
6 the Internal Revenue Code does not apply to the credit under this subdivision.

7 3. For taxable years beginning after December 31, 2012, a partner of a
8 partnership, shareholder of a tax-option corporation, or member of a limited liability
9 company may claim a credit against the tax imposed under s. 71.02, as allocated
10 under par. (d), an amount equal to 10 percent of the amount obtained by subtracting
11 from the partnership’s, tax-option corporation’s, or limited liability company’s
12 qualified research expenses, as defined in section 41 of the Internal Revenue Code,
13 except that “qualified research expenses” includes only expenses incurred by the
14 partnership, tax-option corporation, or limited liability company for research
15 related to the design and manufacturing of energy efficient lighting systems,
16 building automation and control systems, or automotive batteries for use in
17 hybrid-electric vehicles, that reduce the demand for natural gas or electricity or
18 improve the efficiency of its use, incurred for research conducted in this state for the
19 taxable year, except that a taxpayer may elect the alternative computation under
20 section 41 (c) (4) of the Internal Revenue Code and that election applies until the
21 department permits its revocation, except as provided in par. (c), and except that
22 “qualified research expenses” does not include compensation used in computing the
23 credit under subs. (2dj) and (2dx), the entity’s base amount, as defined in section 41
24 (c) of the Internal Revenue Code, except that gross receipts used in calculating the
25 base amount means gross receipts from sales attributable to Wisconsin under ss.

1 71.04 (7) (b) 1. and 2., (df), (dh), (dj), and (dk). Section 41 (h) of the Internal Revenue
2 Code does not apply to the credit under this subdivision.

3 (c) *Computation.* If in any taxable year a person claims a credit under par. (b)
4 1., 2., or 3., or any combination of those credits, the person may use a different
5 computation method to calculate the credits and may choose to change the
6 computation method once without the department's approval.

7 (d) *Limitations.* Partnerships, tax-option corporations, and limited liability
8 companies may not claim a credit under this subsection, but the eligibility for, and
9 the amount of, the credit are based on their payment of amounts under par. (b). A
10 partnership, tax-option corporation, or limited liability company shall compute the
11 amount of the credit that each of its partners, shareholders, or members may claim
12 and shall provide that information to each of them. Partners of a partnership,
13 shareholders of tax-option corporations, and members of limited liability companies
14 may claim the credit in proportion to their ownership interest.

15 (e) *Administration.* Section 71.28 (4) (b) to (h), as it applies to the credit under
16 s. 71.28 (4), applies to the credits under this subsection.

17 **SECTION 1343c.** 71.07 (4n) of the statutes is created to read:

18 **71.07 (4n) RESEARCH FACILITIES CREDIT.** (a) *Definitions.* In this subsection:

19 1. "Frame" includes:

20 a. Every part of a motorcycle, except the tires.

21 b. In the case of a truck, the control system and the fuel and drive train,
22 excluding any comfort features located in the cab or the tires.

23 c. In the case of a generator, the control modules, fuel train, fuel scrubbing
24 process, fuel mixers, generator, heat exchangers, exhaust train, and similar
25 components.

1 2. “Internal combustion engine” includes substitute products such as fuel cell,
2 electric, and hybrid drives.

3 3. “Vehicle” means any vehicle or frame, including parts, accessories, and
4 component technologies, in which or on which an engine is mounted for use in mobile
5 or stationary applications. “Vehicle” includes any truck, tractor, motorcycle,
6 snowmobile, all-terrain vehicle, boat, personal watercraft, generator, construction
7 equipment, lawn and garden maintenance equipment, automobile, van, sports
8 utility vehicle, motor home, bus, or aircraft.

9 (b) *Credit.* 1. Subject to the limitations provided in this subsection, and except
10 as provided in subds. 2. and 3., for taxable years beginning after December 31, 2012,
11 and before January 1, 2014, a partner of a partnership, shareholder of a tax-option
12 corporation, or member of a limited liability company may claim a credit against the
13 tax imposed under s. 71.02, as allocated under par. (c), an amount equal to 5 percent
14 of the amount paid or incurred by the partnership, tax-option corporation, or limited
15 liability company during the taxable year to construct and equip new facilities or
16 expand existing facilities used in this state for qualified research, as defined in
17 section 41 of the Internal Revenue Code. Eligible amounts include only amounts
18 paid or incurred for tangible, depreciable property but do not include amounts paid
19 or incurred for replacement property.

20 2. For taxable years beginning after December 31, 2012, and before January
21 1, 2014, a partner of a partnership, shareholder of a tax-option corporation, or
22 member of a limited liability company may claim a credit against the tax imposed
23 under s. 71.02, as allocated under par. (c), an amount equal to 10 percent of the
24 amount paid or incurred by the partnership, tax-option corporation, or limited
25 liability company during the taxable year to construct and equip new facilities or

1 expand existing facilities used in this state for qualified research, as defined in
2 section 41 of the Internal Revenue Code, except that “qualified research expenses”
3 includes only expenses paid or incurred by the partnership, tax–option corporation,
4 or limited liability company for research related to designing internal combustion
5 engines for vehicles, including expenses related to designing vehicles that are
6 powered by such engines and improving production processes for such engines and
7 vehicles. Eligible amounts include only amounts paid or incurred for tangible,
8 depreciable property but do not include amounts paid or incurred for replacement
9 property.

10 3. For taxable years beginning after December 31, 2012, and before January
11 1, 2014, a partner of a partnership, shareholder of a tax–option corporation, or
12 member of a limited liability company may claim a credit against the tax imposed
13 under s. 71.02, as allocated under par. (c), an amount equal to 10 percent of the
14 amount paid or incurred by the partnership, tax–option corporation, or limited
15 liability company during the taxable year to construct and equip new facilities or
16 expand existing facilities used in this state for qualified research, as defined in
17 section 41 of the Internal Revenue Code, except that “qualified research expenses”
18 includes only expenses paid or incurred by the partnership, tax–option corporation,
19 or limited liability company for research related to the design and manufacturing of
20 energy efficient lighting systems, building automation and control systems, or
21 automotive batteries for use in hybrid–electric vehicles, that reduce the demand for
22 natural gas or electricity or improve the efficiency of its use. Eligible amounts
23 include only amounts paid or incurred for tangible, depreciable property but do not
24 include amounts paid or incurred for replacement property.

(c) *Limitations.* Partnerships, tax-option corporations, and limited liability companies may not claim a credit under this subsection, but the eligibility for, and the amount of, the credit are based on their payment of amounts under par. (b). A partnership, tax-option corporation, or limited liability company shall compute the amount of the credit that each of its partners, shareholders, or members may claim and shall provide that information to each of them. Partners of a partnership, shareholders of tax-option corporations, and members of limited liability companies may claim the credit in proportion to their ownership interest.

(d) *Administration.* Section 71.28 (4) (b) to (h), as it applies to the credit under s. 71.28 (4), applies to the credits under this subsection.”.

3. Page 659, line 3: after that line insert:

“**SECTION 1348am.** 71.07 (10) of the statutes is repealed.

SECTION 1348b. 71.10 (4) (er) of the statutes is created to read:

71.10 (4) (er) Research credit under s. 71.07 (4k).

SECTION 1348c. 71.10 (4) (eu) of the statutes is created to read:

71.10 (4) (eu) Research facilities credit under s. 71.07 (4n).”.

4. Page 660, line 4: after that line insert:

“**SECTION 1352d.** 71.21 (3) of the statutes is amended to read:

71.21 (3) The credits under s. 71.28 (4), ~~(4m)~~ and ~~(5)~~ may not be claimed by a partnership or by partners, including partners of a publicly traded partnership.

SECTION 1352e. 71.21 (4) (a) of the statutes is amended to read:

71.21 (4) (a) The amount of the credits computed by a partnership under s. 71.07 (2dd), (2de), (2di), (2dj), (2dL), (2dm), (2ds), (2dx), (2dy), (3g), (3h), (3n), (3p), (3q), (3r), (3rm), (3rn), (3s), (3t), (3w), (4k), (4n), (5e), (5f), (5g), (5h), (5i), (5j), (5k), (5r),

(5rm), (6n), and (8r) and passed through to partners shall be added to the partnership's income.”.

5. Page 697, line 21: after that line insert:

“**SECTION 1395d.** 71.28 (4) (i) of the statutes is amended to read:

71.28 (4) (i) *Nonclaimants.* ~~The~~ Except as provided in par. (j), the credits under this subsection may not be claimed by a partnership, except a publicly traded partnership treated as a corporation under s. 71.22 (1k), limited liability company, except a limited liability company treated as a corporation under s. 71.22 (1k), or tax-option corporation or by partners, including partners of a publicly traded partnership, members of a limited liability company or shareholders of a tax-option corporation.

SECTION 1395e. 71.28 (4) (j) of the statutes is created to read:

71.28 (4) (j) *Pass-through entities.* Partnerships, limited liability companies, and tax-option corporations may not claim the credit under this subsection, but the eligibility for, and the amount of, the credit are based on their payment of amounts under par. (ad). A partnership, limited liability company, or tax-option corporation shall compute the amount of credit that each of its partners, members, or shareholders may claim and shall provide that information to each of them. Partners, members of limited liability companies, and shareholders of tax-option corporations may claim the credit in proportion to their ownership interests.”.

6. Page 705, line 21: after that line insert:

“**SECTION 1408d.** 71.34 (1k) (g) of the statutes is amended to read:

71.34 (1k) (g) An addition shall be made for credits computed by a tax-option corporation under s. 71.28 (1dd), (1de), (1di), (1dj), (1dL), (1dm), (1ds), (1dx), (1dy),

(3), (3g), (3h), (3n), (3p), (3q), (3r), (3rm), (3rn), (3t), (3w), (4), (5), (5e), (5f), (5g), (5h), (5i), (5j), (5k), (5r), (5rm), (6n), and (8r) and passed through to shareholders.

SECTION 1408e. 71.365 (3) of the statutes is amended to read:

71.365 (3) CREDITS NOT ALLOWED. The credits under s. 71.28 (4), (4m), and (5) may not be claimed by a tax-option corporation or shareholders of a tax-option corporation.”.

7. Page 717, line 21: after that line insert:

“SECTION 1431b. 71.47 (4) (i) of the statutes is amended to read:

71.47 (4) (i) *Nonclaimants.* ~~The~~ Except as provided in par. (j), the credits under this subsection may not be claimed by a partnership, except a publicly traded partnership treated as a corporation under s. 71.22 (1k), limited liability company, except a limited liability company treated as a corporation under s. 71.22 (1k), or tax-option corporation or by partners, including partners of a publicly traded partnership, members of a limited liability company or shareholders of a tax-option corporation.

SECTION 1431c. 71.47 (4) (j) of the statutes is created to read:

71.47 (4) (j) *Pass-through entities.* Partnerships, limited liability companies, and tax-option corporations may not claim the credit under this subsection, but the eligibility for, and the amount of, the credit are based on their payment of amounts under par. (ad). A partnership, limited liability company, or tax-option corporation shall compute the amount of credit that each of its partners, members, or shareholders may claim and shall provide that information to each of them.

1 Partners, members of limited liability companies, and shareholders of tax-option
2 corporations may claim the credit in proportion to their ownership interests.”.

3 (END)

Kreye, Joseph

From: Shanovich, Ron
Sent: Monday, June 10, 2013 8:16 AM
To: Kreye, Joseph
Subject: FW: LRB Draft: 13b0346/P2 Omnibus tax proposal: allowing members of pass-through entities to claim research credits
Attachments: 13b0346/P2.pdf; 13b0346/P2dn.pdf

Hi Joe. Here's something from DOR. Have you heard from them on depletion and amortization? Ron

-----Original Message-----

From: Reinhardt, Rob
Sent: Monday, June 10, 2013 8:03 AM
To: Shanovich, Ron
Subject: FW: LRB Draft: 13b0346/P2 Omnibus tax proposal: allowing members of pass-through entities to claim research credits

Ron,

See below. I don't think we ever included sole proprietors, but it may have been an oversight on Rep. Kooyenga's part. Items 3 and 4 were corrected in the P3 draft, right? Thanks

-----Original Message-----

From: Gibbons, Vicki L - DOR [<mailto:Vicki.Gibbons@revenue.wi.gov>]
Sent: Monday, June 10, 2013 7:46 AM
To: Reinhardt, Rob
Subject: FW: LRB Draft: 13b0346/P2 Omnibus tax proposal: allowing members of pass-through entities to claim research credits

Rob,

The following changes are still needed:

1) Sole proprietors (other than through a disregarded LLC) are not included. It is our understanding that all sole proprietors are to be included. Additional language is necessary to add Individuals.

2) Section 71.07(4k)(c), Wis. Stats. The drafter did not adopt all of our changes. The following language is needed to be consistent with 71.28(4)(af) "Computation. If in any taxable year a person claims a credit under par. (b) 1., 2., or 3., or any combination of those credits, the person may use a different computation method to calculate each of the credits and may choose to change the computation method once for each credit without the department's approval." Without this specific language, it is not clear whether a change can be made to one credit computation or if a change must be made to all 3 credit computations.

3) Section 71.21(3), Wis. Stats. - The drafter incorrectly crossed off "4m". This reference is needed since the credit in 71.28(4m) - the super research credit - is still not allowed to be claimed by partners/partnerships and shareholders/tax-option corporations; whereas the credits in (4) and (5) are allowed as modified by the budget motion.

4) Section 71.365(3), Wis. Stats. - The drafter incorrectly crossed off "4m". This reference is needed since the credit in 71.28(4m) - the super research credit - is still not allowed to be claimed by partners/partnerships and shareholders/tax-option corporations; whereas the credits in (4) and (5) are allowed as modified by the budget motion.

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Madison, WI 53708-8949
(608)266-3612
Vicki.Gibbons@revenue.wi.gov

From: Gibbons, Vicki L - DOR
Sent: Friday, June 07, 2013 4:41 PM
To: Weber, Nathaniel R - DOR
Cc: Hardt, Diane L - DOR; Oakleaf, Michael P - DOR; Wagner, Michael W - DOR
Subject: FW: LRB Draft: 13b0346/P2 Omnibus tax proposal: allowing members of pass-through entities to claim research credits

For another look.

From: Reinhardt, Rob [<mailto:Rob.Reinhardt@legis.wisconsin.gov>]
Sent: Friday, June 07, 2013 4:24 PM
To: Gibbons, Vicki L - DOR
Subject: FW: LRB Draft: 13b0346/P2 Omnibus tax proposal: allowing members of pass-through entities to claim research credits

Does this look ok now?

From: Frantzen, Jean
Sent: Friday, June 07, 2013 3:57 PM
To: Shanovich, Ron
Cc: Reinhardt, Rob; Hanaman, Cathlene; Holten, Vicki
Subject: LRB Draft: 13b0346/P2 Omnibus tax proposal: allowing members of pass-through entities to claim research credits

Following is the PDF version of draft 13b0346/P2.

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State of Wisconsin
2013 - 2014 LEGISLATURE



LRBb0346/P3
JK:kjf&jld:jm

stays RMR

LFB:.....Shanovich (RR) – Omnibus tax proposal: allowing members of
pass-through entities to claim research credits

FOR 2013-2015 BUDGET — NOT READY FOR INTRODUCTION
ASSEMBLY AMENDMENT ,
TO ASSEMBLY BILL 40

in 6-10-13

1 At the locations indicated, amend the bill as follows:

2 **1.** Page 643, line 3: after that line insert:

3 “**SECTION 1298p.** 71.05 (6) (a) 15. of the statutes is amended to read:

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5 credits computed under s. 71.07 (2dd), (2de), (2di), (2dj), (2dL), (2dm), (2dr), (2ds),
6 (2dx), (2dy), (3g), (3h), (3n), (3p), (3q), (3r), (3rm), (3rn), (3s), (3t), (3w), (4k), (4n), (5e),
7 (5f), (5h), (5i), (5j), (5k), (5r), (5rm), (6n), and (8r) and not passed through by a
8 partnership, limited liability company, or tax-option corporation that has added that
9 amount to the partnership’s, company’s, or tax-option corporation’s income under s.
10 71.21 (4) or 71.34 (1k) (g).”.

11 **2.** Page 658, line 4: after that line insert:

1 “SECTION 1343b. 71.07 (4k) of the statutes is created to read:

2 71.07 (4k) RESEARCH CREDIT. (a) *Definitions*. In this subsection:

3 1. “Frame” includes:

4 a. Every part of a motorcycle, except the tires.

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6 excluding any comfort features located in the cab or the tires.

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8 process, fuel mixers, generator, heat exchangers, exhaust train, and similar
9 components.

10 2. “Internal combustion engine” includes substitute products such as fuel cell,
11 electric, and hybrid drives.

12 3. “Vehicle” means any vehicle or frame, including parts, accessories, and
13 component technologies, in which or on which an engine is mounted for use in mobile
14 or stationary applications. “Vehicle” includes any truck, tractor, motorcycle,
15 snowmobile, all-terrain vehicle, boat, personal watercraft, generator, construction
16 equipment, lawn and garden maintenance equipment, automobile, van, sports
17 utility vehicle, motor home, bus, or aircraft.

18 (b) *Credit*. 1. Subject to the limitations provided in this subsection, and except
19 as provided in subds. 2. and 3., for taxable years beginning after December 31, 2012,
20 a partner of a partnership, ^{or} shareholder of a tax-option corporation, ^{or} member of a
21 limited liability company may claim a credit against the tax imposed under s. 71.02,
22 as allocated under par. (d), an amount equal to 5 percent of the amount obtained by
23 subtracting from the partnership's, tax-option corporation's, or limited liability
24 company's qualified research expenses, as defined in section 41 of the Internal
25 Revenue Code, except that “qualified research expenses” includes only expenses

an individual;

individual;

individual

1 incurred by the partnership, tax-option corporation, or the limited liability company,
2 incurred for research conducted in this state for the taxable year, except that a
3 taxpayer may elect the alternative computation under section 41 (c) (4) of the
4 Internal Revenue Code and that election applies until the department permits its
5 revocation, except as provided in par. (c), and except that "qualified research
6 expenses" does not include compensation used in computing the credit under subs.
7 (2dj) and (2dx), the entity's base amount, as defined in section 41 (c) of the Internal
8 Revenue Code, except that gross receipts used in calculating the base amount means
9 gross receipts from sales attributable to Wisconsin under ss. 71.04 (7) (b) 1. and 2.,
10 (df), (dh), (dj), and (dk). Section 41 (h) of the Internal Revenue Code does not apply
11 to the credit under this subdivision.

an individual,

12 2. For taxable years beginning after December 31, 2012, a partner of a
13 partnership, ^ashareholder of a tax-option corporation, or ^amember of a limited liability
14 company may claim a credit against the tax imposed under s. 71.02, as allocated
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18 except that "qualified research expenses" includes only expenses incurred by the
19 partnership, tax-option corporation, or limited liability company for research
20 related to designing internal combustion engines for vehicles, including expenses
21 related to designing vehicles that are powered by such engines and improving
22 production processes for such engines and vehicles, incurred for research conducted
23 in this state for the taxable year, except that a taxpayer may elect the alternative
24 computation under section 41 (c) (4) of the Internal Revenue Code and that election
25 applies until the department permits its revocation, except as provided in par. (c),

individual,

and except that “qualified research expenses” does not include compensation used in computing the credit under subs. (2dj) and (2dx), the entity’s base amount, as defined in section 41 (c) of the Internal Revenue Code, except that gross receipts used in calculating the base amount means gross receipts from sales attributable to Wisconsin under ss. 71.04 (7) (b) 1. and 2., (df), (dh), (dj), and (dk). Section 41 (h) of the Internal Revenue Code does not apply to the credit under this subdivision.

3. For taxable years beginning after December 31, 2012, ^aa partner of a partnership, ^ashareholder of a tax-option corporation, or ^amember of a limited liability company may claim a credit against the tax imposed under s. 71.02, as allocated under par. (d), an amount equal to 10 percent of the amount obtained by subtracting from the ^{individuals,} partnership’s, tax-option corporation’s, or limited liability company’s qualified research expenses, as defined in section 41 of the Internal Revenue Code, except that “qualified research expenses” includes only expenses incurred by the ^{individual,} partnership, tax-option corporation, or limited liability company for research related to the design and manufacturing of energy efficient lighting systems, building automation and control systems, or automotive batteries for use in hybrid-electric vehicles, that reduce the demand for natural gas or electricity or improve the efficiency of its use, incurred for research conducted in this state for the taxable year, except that a taxpayer may elect the alternative computation under section 41 (c) (4) of the Internal Revenue Code and that election applies until the department permits its revocation, except as provided in par. (c), and except that “qualified research expenses” does not include compensation used in computing the credit under subs. (2dj) and (2dx), the entity’s base amount, as defined in section 41 (c) of the Internal Revenue Code, except that gross receipts used in calculating the base amount means gross receipts from sales attributable to Wisconsin under ss.

1 71.04 (7) (b) 1. and 2., (df), (dh), (dj), and (dk). Section 41 (h) of the Internal Revenue
2 Code does not apply to the credit under this subdivision.

3 (c) *Computation.* If in any taxable year a person claims a credit under par. (b)
4 1., 2., or 3., or any combination of those credits, the person may use a different
5 computation method to calculate ^{each of} the credits and may choose to change the
6 computation method ^{for each credit} once without the department's approval.

7 (d) *Limitations.* Partnerships, tax-option corporations, and limited liability
8 companies may not claim a credit under this subsection, but the eligibility for, and
9 the amount of, the credit are based on their payment of amounts under par. (b). A
10 partnership, tax-option corporation, or limited liability company shall compute the
11 amount of the credit that each of its partners, shareholders, or members may claim
12 and shall provide that information to each of them. Partners of a partnership,
13 shareholders of tax-option corporations, and members of limited liability companies
14 may claim the credit in proportion to their ownership interest.

15 (e) *Administration.* Section 71.28 (4) (b) to (h), as it applies to the credit under
16 s. 71.28 (4), applies to the credits under this subsection.

17 **SECTION 1343c.** 71.07 (4n) of the statutes is created to read:

18 **71.07 (4n) RESEARCH FACILITIES CREDIT.** (a) *Definitions.* In this subsection:

19 1. "Frame" includes:

20 a. Every part of a motorcycle, except the tires.

21 b. In the case of a truck, the control system and the fuel and drive train,
22 excluding any comfort features located in the cab or the tires.

23 c. In the case of a generator, the control modules, fuel train, fuel scrubbing
24 process, fuel mixers, generator, heat exchangers, exhaust train, and similar
25 components.

1 2. "Internal combustion engine" includes substitute products such as fuel cell,
2 electric, and hybrid drives.

3 3. "Vehicle" means any vehicle or frame, including parts, accessories, and
4 component technologies, in which or on which an engine is mounted for use in mobile
5 or stationary applications. "Vehicle" includes any truck, tractor, motorcycle,
6 snowmobile, all-terrain vehicle, boat, personal watercraft, generator, construction
7 equipment, lawn and garden maintenance equipment, automobile, van, sports
8 utility vehicle, motor home, bus, or aircraft.

9 (b) *Credit*. 1. Subject to the limitations provided in this subsection, and except
10 as provided in subds. 2. and 3., for taxable years beginning after December 31, 2012,
11 and before January 1, 2014, ^aa partner of a partnership, ^ashareholder of a tax-option
12 corporation, or ^amember of a limited liability company may claim a credit against the
13 tax imposed under s. 71.02, as allocated under par. (c), an amount equal to 5 percent
14 of the amount paid or incurred by the ^{individual,}partnership, tax-option corporation, or limited
15 liability company during the taxable year to construct and equip new facilities or
16 expand existing facilities used in this state for qualified research, as defined in
17 section 41 of the Internal Revenue Code. Eligible amounts include only amounts
18 paid or incurred for tangible, depreciable property but do not include amounts paid
19 or incurred for replacement property.

20 2. For taxable years beginning after December 31, 2012, and before January
21 1, 2014, ^aa partner of a partnership, ^ashareholder of a tax-option corporation, or ^a
22 member of a limited liability company may claim a credit against the tax imposed
23 under s. 71.02, as allocated under par. (c), an amount equal to 10 percent of the
24 amount paid or incurred by the partnership, tax-option corporation, or limited
25 liability company during the taxable year to construct and equip new facilities or

individual,

individual,
1 expand existing facilities used in this state for qualified research, as defined in
2 section 41 of the Internal Revenue Code, except that “qualified research expenses”
3 includes only expenses paid or incurred by the partnership, tax-option corporation,
4 or limited liability company for research related to designing internal combustion
5 engines for vehicles, including expenses related to designing vehicles that are
6 powered by such engines and improving production processes for such engines and
7 vehicles. Eligible amounts include only amounts paid or incurred for tangible,
8 depreciable property but do not include amounts paid or incurred for replacement
9 property. *an individual,* *individual,*

10 3. For taxable years beginning after December 31, 2012, and before January
11 1, 2014, ^aa partner of a partnership, ^ashareholder of a tax-option corporation, or ^a
12 member of a limited liability company may claim a credit against the tax imposed
13 under s. 71.02, as allocated under par. (c), an amount equal to 10 percent of the
14 amount paid or incurred by the partnership, tax-option corporation, or limited
15 liability company during the taxable year to construct and equip new facilities or
16 expand existing facilities used in this state for qualified research, as defined in
17 section 41 of the Internal Revenue Code, except that “qualified research expenses”
18 includes only expenses paid or incurred by the partnership, tax-option corporation,
19 or limited liability company for research related to the design and manufacturing of
20 energy efficient lighting systems, building automation and control systems, or
21 automotive batteries for use in hybrid-electric vehicles, that reduce the demand for
22 natural gas or electricity or improve the efficiency of its use. Eligible amounts
23 include only amounts paid or incurred for tangible, depreciable property but do not
24 include amounts paid or incurred for replacement property.

(c) *Limitations.* Partnerships, tax–option corporations, and limited liability companies may not claim a credit under this subsection, but the eligibility for, and the amount of, the credit are based on their payment of amounts under par. (b). A partnership, tax–option corporation, or limited liability company shall compute the amount of the credit that each of its partners, shareholders, or members may claim and shall provide that information to each of them. Partners of a partnership, shareholders of tax–option corporations, and members of limited liability companies may claim the credit in proportion to their ownership interest.

(d) *Administration.* Section 71.28 (4) (b) to (h), as it applies to the credit under s. 71.28 (4), applies to the credits under this subsection.”.

3. Page 659, line 3: after that line insert:

“**SECTION 1348am.** 71.07 (10) of the statutes is repealed.

SECTION 1348b. 71.10 (4) (er) of the statutes is created to read:

71.10 (4) (er) Research credit under s. 71.07 (4k).

SECTION 1348c. 71.10 (4) (eu) of the statutes is created to read:

71.10 (4) (eu) Research facilities credit under s. 71.07 (4n).”.

4. Page 660, line 4: after that line insert:

“**SECTION 1352d.** 71.21 (3) of the statutes is amended to read:

71.21 (3) The credits under s. 71.28 (4), (4m), ~~and (5)~~ may not be claimed by a partnership or by partners, including partners of a publicly traded partnership.

SECTION 1352e. 71.21 (4) (a) of the statutes is amended to read:

71.21 (4) (a) The amount of the credits computed by a partnership under s. 71.07 (2dd), (2de), (2di), (2dj), (2dL), (2dm), (2ds), (2dx), (2dy), (3g), (3h), (3n), (3p), (3q), (3r), (3rm), (3rn), (3s), (3t), (3w), (4k), (4n), (5e), (5f), (5g), (5h), (5i), (5j), (5k), (5r),

(5rm), (6n), and (8r) and passed through to partners shall be added to the partnership's income.”.

5. Page 697, line 21: after that line insert:

“**SECTION 1395d.** 71.28 (4) (i) of the statutes is amended to read:

71.28 (4) (i) *Nonclaimants.* ~~The~~ Except as provided in par. (j), the credits under this subsection may not be claimed by a partnership, except a publicly traded partnership treated as a corporation under s. 71.22 (1k), limited liability company, except a limited liability company treated as a corporation under s. 71.22 (1k), or tax-option corporation or by partners, including partners of a publicly traded partnership, members of a limited liability company or shareholders of a tax-option corporation.

SECTION 1395e. 71.28 (4) (j) of the statutes is created to read:

71.28 (4) (j) *Pass-through entities.* Partnerships, limited liability companies, and tax-option corporations may not claim the credit under this subsection, but the eligibility for, and the amount of, the credit are based on their payment of amounts under par. (ad). A partnership, limited liability company, or tax-option corporation shall compute the amount of credit that each of its partners, members, or shareholders may claim and shall provide that information to each of them. Partners, members of limited liability companies, and shareholders of tax-option corporations may claim the credit in proportion to their ownership interests.”.

6. Page 705, line 21: after that line insert:

“**SECTION 1408d.** 71.34 (1k) (g) of the statutes is amended to read:

71.34 (1k) (g) An addition shall be made for credits computed by a tax-option corporation under s. 71.28 (1dd), (1de), (1di), (1dj), (1dL), (1dm), (1ds), (1dx), (1dy),

(3), (3g), (3h), (3n), (3p), (3q), (3r), (3rm), (3rn), (3t), (3w), ~~(4), (5)~~, (5e), (5f), (5g), (5h), (5i), (5j), (5k), (5r), (5rm), (6n), and (8r) and passed through to shareholders.

SECTION 1408e. 71.365 (3) of the statutes is amended to read:

71.365 (3) CREDITS NOT ALLOWED. The credits under s. 71.28 ~~(4), (4m), and (5)~~ may not be claimed by a tax-option corporation or shareholders of a tax-option corporation.”.

7. Page 717, line 21: after that line insert:

“SECTION 1431b. 71.47 (4) (i) of the statutes is amended to read:

71.47 (4) (i) *Nonclaimants.* ~~The~~ Except as provided in par. (j), the credits under this subsection may not be claimed by a partnership, except a publicly traded partnership treated as a corporation under s. 71.22 (1k), limited liability company, except a limited liability company treated as a corporation under s. 71.22 (1k), or tax-option corporation or by partners, including partners of a publicly traded partnership, members of a limited liability company or shareholders of a tax-option corporation.

SECTION 1431c. 71.47 (4) (j) of the statutes is created to read:

71.47 (4) (j) *Pass-through entities.* Partnerships, limited liability companies, and tax-option corporations may not claim the credit under this subsection, but the eligibility for, and the amount of, the credit are based on their payment of amounts under par. (ad). A partnership, limited liability company, or tax-option corporation shall compute the amount of credit that each of its partners, members, or shareholders may claim and shall provide that information to each of them.

1 Partners, members of limited liability companies, and shareholders of tax-option
2 corporations may claim the credit in proportion to their ownership interests.”.

3 (END)



State of Wisconsin
2013 – 2014 LEGISLATURE



LRBb0346/P4
JK:kjf&jld:jm

LFB:.....Shanovich (RR) – Omnibus tax proposal: allowing members of
pass-through entities to claim research credits

FOR 2013-2015 BUDGET — NOT READY FOR INTRODUCTION
ASSEMBLY AMENDMENT ,
TO ASSEMBLY BILL 40

1 At the locations indicated, amend the bill as follows:

2 **1.** Page 643, line 3: after that line insert:

3 “**SECTION 1298p.** 71.05 (6) (a) 15. of the statutes is amended to read:

4 71.05 (6) (a) 15. Except as provided under s. 71.07 (3p) (c) 5., the amount of the
5 credits computed under s. 71.07 (2dd), (2de), (2di), (2dj), (2dL), (2dm), (2dr), (2ds),
6 (2dx), (2dy), (3g), (3h), (3n), (3p), (3q), (3r), (3rm), (3rn), (3s), (3t), (3w), (4k), (4n), (5e),
7 (5f), (5h), (5i), (5j), (5k), (5r), (5rm), (6n), and (8r) and not passed through by a
8 partnership, limited liability company, or tax-option corporation that has added that
9 amount to the partnership’s, company’s, or tax-option corporation’s income under s.
10 71.21 (4) or 71.34 (1k) (g).”.

11 **2.** Page 658, line 4: after that line insert:

1 “**SECTION 1343b.** 71.07 (4k) of the statutes is created to read:

2 71.07 (**4k**) RESEARCH CREDIT. (a) *Definitions.* In this subsection:

3 1. “Frame” includes:

4 a. Every part of a motorcycle, except the tires.

5 b. In the case of a truck, the control system and the fuel and drive train,
6 excluding any comfort features located in the cab or the tires.

7 c. In the case of a generator, the control modules, fuel train, fuel scrubbing
8 process, fuel mixers, generator, heat exchangers, exhaust train, and similar
9 components.

10 2. “Internal combustion engine” includes substitute products such as fuel cell,
11 electric, and hybrid drives.

12 3. “Vehicle” means any vehicle or frame, including parts, accessories, and
13 component technologies, in which or on which an engine is mounted for use in mobile
14 or stationary applications. “Vehicle” includes any truck, tractor, motorcycle,
15 snowmobile, all-terrain vehicle, boat, personal watercraft, generator, construction
16 equipment, lawn and garden maintenance equipment, automobile, van, sports
17 utility vehicle, motor home, bus, or aircraft.

18 (b) *Credit.* 1. Subject to the limitations provided in this subsection, and except
19 as provided in subds. 2. and 3., for taxable years beginning after December 31, 2012,
20 an individual, a partner of a partnership, a shareholder of a tax-option corporation,
21 or a member of a limited liability company may claim a credit against the tax imposed
22 under s. 71.02, as allocated under par. (d), an amount equal to 5 percent of the
23 amount obtained by subtracting from the individual’s, partnership’s, tax-option
24 corporation’s, or limited liability company’s qualified research expenses, as defined
25 in section 41 of the Internal Revenue Code, except that “qualified research expenses”

1 includes only expenses incurred by the individual, partnership, tax-option
2 corporation, or the limited liability company, incurred for research conducted in this
3 state for the taxable year, except that a taxpayer may elect the alternative
4 computation under section 41 (c) (4) of the Internal Revenue Code and that election
5 applies until the department permits its revocation, except as provided in par. (c),
6 and except that “qualified research expenses” does not include compensation used
7 in computing the credit under subs. (2dj) and (2dx), the entity’s base amount, as
8 defined in section 41 (c) of the Internal Revenue Code, except that gross receipts used
9 in calculating the base amount means gross receipts from sales attributable to
10 Wisconsin under ss. 71.04 (7) (b) 1. and 2., (df), (dh), (dj), and (dk). Section 41 (h) of
11 the Internal Revenue Code does not apply to the credit under this subdivision.

12 2. For taxable years beginning after December 31, 2012, an individual, a
13 partner of a partnership, a shareholder of a tax-option corporation, or a member of
14 a limited liability company may claim a credit against the tax imposed under s. 71.02,
15 as allocated under par. (d), an amount equal to 10 percent of the amount obtained by
16 subtracting from the individual’s, partnership’s, tax-option corporation’s, or limited
17 liability company’s qualified research expenses, as defined in section 41 of the
18 Internal Revenue Code, except that “qualified research expenses” includes only
19 expenses incurred by the individual, partnership, tax-option corporation, or limited
20 liability company for research related to designing internal combustion engines for
21 vehicles, including expenses related to designing vehicles that are powered by such
22 engines and improving production processes for such engines and vehicles, incurred
23 for research conducted in this state for the taxable year, except that a taxpayer may
24 elect the alternative computation under section 41 (c) (4) of the Internal Revenue
25 Code and that election applies until the department permits its revocation, except

1 as provided in par. (c), and except that “qualified research expenses” does not include
2 compensation used in computing the credit under subs. (2dj) and (2dx), the entity’s
3 base amount, as defined in section 41 (c) of the Internal Revenue Code, except that
4 gross receipts used in calculating the base amount means gross receipts from sales
5 attributable to Wisconsin under ss. 71.04 (7) (b) 1. and 2., (df), (dh), (dj), and (dk).
6 Section 41 (h) of the Internal Revenue Code does not apply to the credit under this
7 subdivision.

8 3. For taxable years beginning after December 31, 2012, an individual, a
9 partner of a partnership, a shareholder of a tax–option corporation, or a member of
10 a limited liability company may claim a credit against the tax imposed under s. 71.02,
11 as allocated under par. (d), an amount equal to 10 percent of the amount obtained by
12 subtracting from the individual’s, partnership’s, tax–option corporation’s, or limited
13 liability company’s qualified research expenses, as defined in section 41 of the
14 Internal Revenue Code, except that “qualified research expenses” includes only
15 expenses incurred by the individual, partnership, tax–option corporation, or limited
16 liability company for research related to the design and manufacturing of energy
17 efficient lighting systems, building automation and control systems, or automotive
18 batteries for use in hybrid–electric vehicles, that reduce the demand for natural gas
19 or electricity or improve the efficiency of its use, incurred for research conducted in
20 this state for the taxable year, except that a taxpayer may elect the alternative
21 computation under section 41 (c) (4) of the Internal Revenue Code and that election
22 applies until the department permits its revocation, except as provided in par. (c),
23 and except that “qualified research expenses” does not include compensation used
24 in computing the credit under subs. (2dj) and (2dx), the entity’s base amount, as
25 defined in section 41 (c) of the Internal Revenue Code, except that gross receipts used

1 in calculating the base amount means gross receipts from sales attributable to
2 Wisconsin under ss. 71.04 (7) (b) 1. and 2., (df), (dh), (dj), and (dk). Section 41 (h) of
3 the Internal Revenue Code does not apply to the credit under this subdivision.

4 (c) *Computation.* If in any taxable year a person claims a credit under par. (b)
5 1., 2., or 3., or any combination of those credits, the person may use a different
6 computation method to calculate each of the credits and may choose to change the
7 computation method once for each credit without the department's approval.

8 (d) *Limitations.* Partnerships, tax-option corporations, and limited liability
9 companies may not claim a credit under this subsection, but the eligibility for, and
10 the amount of, the credit are based on their payment of amounts under par. (b). A
11 partnership, tax-option corporation, or limited liability company shall compute the
12 amount of the credit that each of its partners, shareholders, or members may claim
13 and shall provide that information to each of them. Partners of a partnership,
14 shareholders of tax-option corporations, and members of limited liability companies
15 may claim the credit in proportion to their ownership interest.

16 (e) *Administration.* Section 71.28 (4) (b) to (h), as it applies to the credit under
17 s. 71.28 (4), applies to the credits under this subsection.

18 **SECTION 1343c.** 71.07 (4n) of the statutes is created to read:

19 **71.07 (4n) RESEARCH FACILITIES CREDIT.** (a) *Definitions.* In this subsection:

20 1. "Frame" includes:

21 a. Every part of a motorcycle, except the tires.

22 b. In the case of a truck, the control system and the fuel and drive train,
23 excluding any comfort features located in the cab or the tires.

1 c. In the case of a generator, the control modules, fuel train, fuel scrubbing
2 process, fuel mixers, generator, heat exchangers, exhaust train, and similar
3 components.

4 2. “Internal combustion engine” includes substitute products such as fuel cell,
5 electric, and hybrid drives.

6 3. “Vehicle” means any vehicle or frame, including parts, accessories, and
7 component technologies, in which or on which an engine is mounted for use in mobile
8 or stationary applications. “Vehicle” includes any truck, tractor, motorcycle,
9 snowmobile, all-terrain vehicle, boat, personal watercraft, generator, construction
10 equipment, lawn and garden maintenance equipment, automobile, van, sports
11 utility vehicle, motor home, bus, or aircraft.

12 (b) *Credit.* 1. Subject to the limitations provided in this subsection, and except
13 as provided in subds. 2. and 3., for taxable years beginning after December 31, 2012,
14 and before January 1, 2014, an individual, a partner of a partnership, a shareholder
15 of a tax-option corporation, or a member of a limited liability company may claim a
16 credit against the tax imposed under s. 71.02, as allocated under par. (c), an amount
17 equal to 5 percent of the amount paid or incurred by the individual, partnership,
18 tax-option corporation, or limited liability company during the taxable year to
19 construct and equip new facilities or expand existing facilities used in this state for
20 qualified research, as defined in section 41 of the Internal Revenue Code. Eligible
21 amounts include only amounts paid or incurred for tangible, depreciable property
22 but do not include amounts paid or incurred for replacement property.

23 2. For taxable years beginning after December 31, 2012, and before January
24 1, 2014, an individual, a partner of a partnership, a shareholder of a tax-option
25 corporation, or a member of a limited liability company may claim a credit against

1 the tax imposed under s. 71.02, as allocated under par. (c), an amount equal to 10
2 percent of the amount paid or incurred by the individual, partnership, tax–option
3 corporation, or limited liability company during the taxable year to construct and
4 equip new facilities or expand existing facilities used in this state for qualified
5 research, as defined in section 41 of the Internal Revenue Code, except that
6 “qualified research expenses” includes only expenses paid or incurred by the
7 individual, partnership, tax–option corporation, or limited liability company for
8 research related to designing internal combustion engines for vehicles, including
9 expenses related to designing vehicles that are powered by such engines and
10 improving production processes for such engines and vehicles. Eligible amounts
11 include only amounts paid or incurred for tangible, depreciable property but do not
12 include amounts paid or incurred for replacement property.

13 3. For taxable years beginning after December 31, 2012, and before January
14 1, 2014, an individual, a partner of a partnership, a shareholder of a tax–option
15 corporation, or a member of a limited liability company may claim a credit against
16 the tax imposed under s. 71.02, as allocated under par. (c), an amount equal to 10
17 percent of the amount paid or incurred by the individual, partnership, tax–option
18 corporation, or limited liability company during the taxable year to construct and
19 equip new facilities or expand existing facilities used in this state for qualified
20 research, as defined in section 41 of the Internal Revenue Code, except that
21 “qualified research expenses” includes only expenses paid or incurred by the
22 individual, partnership, tax–option corporation, or limited liability company for
23 research related to the design and manufacturing of energy efficient lighting
24 systems, building automation and control systems, or automotive batteries for use
25 in hybrid–electric vehicles, that reduce the demand for natural gas or electricity or

1 improve the efficiency of its use. Eligible amounts include only amounts paid or
2 incurred for tangible, depreciable property but do not include amounts paid or
3 incurred for replacement property.

4 (c) *Limitations.* Partnerships, tax–option corporations, and limited liability
5 companies may not claim a credit under this subsection, but the eligibility for, and
6 the amount of, the credit are based on their payment of amounts under par. (b). A
7 partnership, tax–option corporation, or limited liability company shall compute the
8 amount of the credit that each of its partners, shareholders, or members may claim
9 and shall provide that information to each of them. Partners of a partnership,
10 shareholders of tax–option corporations, and members of limited liability companies
11 may claim the credit in proportion to their ownership interest.

12 (d) *Administration.* Section 71.28 (4) (b) to (h), as it applies to the credit under
13 s. 71.28 (4), applies to the credits under this subsection.”.

14 **3.** Page 659, line 3: after that line insert:

15 “**SECTION 1348am.** 71.07 (10) of the statutes is repealed.

16 **SECTION 1348b.** 71.10 (4) (er) of the statutes is created to read:

17 71.10 (4) (er) Research credit under s. 71.07 (4k).

18 **SECTION 1348c.** 71.10 (4) (eu) of the statutes is created to read:

19 71.10 (4) (eu) Research facilities credit under s. 71.07 (4n).”.

20 **4.** Page 660, line 4: after that line insert:

21 “**SECTION 1352d.** 71.21 (3) of the statutes is amended to read:

22 71.21 (3) The credits under s. 71.28 (4), (4m), and (5) may not be claimed by a
23 partnership or by partners, including partners of a publicly traded partnership.

24 **SECTION 1352e.** 71.21 (4) (a) of the statutes is amended to read:

1 71.21 (4) (a) The amount of the credits computed by a partnership under s.
2 71.07 (2dd), (2de), (2di), (2dj), (2dL), (2dm), (2ds), (2dx), (2dy), (3g), (3h), (3n), (3p),
3 (3q), (3r), (3rm), (3rn), (3s), (3t), (3w), (4k), (4n), (5e), (5f), (5g), (5h), (5i), (5j), (5k), (5r),
4 (5rm), (6n), and (8r) and passed through to partners shall be added to the
5 partnership's income.”.

6 **5.** Page 697, line 21: after that line insert:

7 “**SECTION 1395d.** 71.28 (4) (i) of the statutes is amended to read:

8 71.28 (4) (i) *Nonclaimants.* ~~The~~ Except as provided in par. (j), the credits under
9 this subsection may not be claimed by a partnership, except a publicly traded
10 partnership treated as a corporation under s. 71.22 (1k), limited liability company,
11 except a limited liability company treated as a corporation under s. 71.22 (1k), or
12 tax-option corporation or by partners, including partners of a publicly traded
13 partnership, members of a limited liability company or shareholders of a tax-option
14 corporation.

15 **SECTION 1395e.** 71.28 (4) (j) of the statutes is created to read:

16 71.28 (4) (j) *Pass-through entities.* Partnerships, limited liability companies,
17 and tax-option corporations may not claim the credit under this subsection, but the
18 eligibility for, and the amount of, the credit are based on their payment of amounts
19 under par. (ad). A partnership, limited liability company, or tax-option corporation
20 shall compute the amount of credit that each of its partners, members, or
21 shareholders may claim and shall provide that information to each of them.
22 Partners, members of limited liability companies, and shareholders of tax-option
23 corporations may claim the credit in proportion to their ownership interests.”.

24 **6.** Page 705, line 21: after that line insert:

1 **“SECTION 1408d.** 71.34 (1k) (g) of the statutes is amended to read:

2 71.34 **(1k)** (g) An addition shall be made for credits computed by a tax–option
3 corporation under s. 71.28 (1dd), (1de), (1di), (1dj), (1dL), (1dm), (1ds), (1dx), (1dy),
4 (3), (3g), (3h), (3n), (3p), (3q), (3r), (3rm), (3rn), (3t), (3w), (4), (5), (5e), (5f), (5g), (5h),
5 (5i), (5j), (5k), (5r), (5rm), (6n), and (8r) and passed through to shareholders.

6 **SECTION 1408e.** 71.365 (3) of the statutes is amended to read:

7 71.365 **(3)** CREDITS NOT ALLOWED. The credits under s. 71.28 (4), (4m), ~~and (5)~~
8 may not be claimed by a tax–option corporation or shareholders of a tax–option
9 corporation.”.

10 **7.** Page 717, line 21: after that line insert:

11 **“SECTION 1431b.** 71.47 (4) (i) of the statutes is amended to read:

12 71.47 **(4) (i)** *Nonclaimants.* ~~The Except as provided in par. (j), the~~ credits under
13 this subsection may not be claimed by a partnership, except a publicly traded
14 partnership treated as a corporation under s. 71.22 (1k), limited liability company,
15 except a limited liability company treated as a corporation under s. 71.22 (1k), or
16 tax–option corporation or by partners, including partners of a publicly traded
17 partnership, members of a limited liability company or shareholders of a tax–option
18 corporation.

19 **SECTION 1431c.** 71.47 (4) (j) of the statutes is created to read:

20 71.47 **(4) (j)** *Pass–through entities.* Partnerships, limited liability companies,
21 and tax–option corporations may not claim the credit under this subsection, but the
22 eligibility for, and the amount of, the credit are based on their payment of amounts
23 under par. (ad). A partnership, limited liability company, or tax–option corporation
24 shall compute the amount of credit that each of its partners, members, or

1 shareholders may claim and shall provide that information to each of them.
2 Partners, members of limited liability companies, and shareholders of tax-option
3 corporations may claim the credit in proportion to their ownership interests.”.

(END)